



#### Section D: Financing Plan (15-page limit, excluding Exhibits)

**1. Cash Flow Pro Forma:** Attach the cash flow pro forma(s) for the project(s) as Exhibit IX. The pro forma(s) should include both a statement of sources and uses and a projection of monthly or quarterly cash flows during the construction period and annual cash flows thereafter. All amounts should be expressed on a cash (year-of-expenditure) basis and should include a narrative describing assumptions used to arrive at such estimates. The pro forma(s) should include:

- Projected cash flows through such time as all project debt is repaid, including separate line items for each category of revenue (such as taxes and user fees) and expenditure (at a minimum, construction expenditures, operations and maintenance, contributions to reserves and capital replacement funds, debt service, repayments of the WIFIA credit assistance, and repayment of other borrowed funds, if any);
- Estimated debt service coverage, separated into Federal, non-Federal (addressing, as applicable, senior and junior lien debt), and illustrating projected combined coverage, as applicable;
- Amortization schedule for all project debt, separated into Federal, non-Federal (addressing, as applicable, senior- and junior-lien debt), and combined components; and
- Anticipated repayment schedule illustrating the disbursement and repayment of the requested WIFIA credit assistance.

A cash pro forma including all of the elements listed above is attached as **Exhibit IX**.

**2. Sources of Funds:**

- List the source of funds for the total project(s). Sources should include separate line items, as applicable, for Federal grants, State grants, local grants, private investment (equity or debt); any other contributions, market value of right-of-way dedications, bond proceeds (general obligation, revenue, and others), other borrowing (specify), investment income, revenues, and Federal credit assistance proceeds. For each line item, describe the status of the source (e.g., requested, committed, and received). Provide supporting documentation to evidence the status of these funds in Exhibit X.

Source of Funds	Amount (\$)
WIFIA Loan	\$ 30,300,000.00
TWA-Cash on hand	\$ 31,500,000.00
Federal Grants	\$ -
State Grants	\$ -
Local Grants	\$ -
Private	\$ -
Other	\$ -
Total	\$ 61,800,000.00

**Exhibit X** is attached, showing current unrestricted cash balance.



- b. List all the uses of funds for the total project(s). Uses should include separate line items, as applicable, for development-phase activities; construction, reconstruction, rehabilitation, and replacement activities; the acquisition of real property or an interest in real property, environmental mitigation, construction contingencies, and acquisition of equipment; previously incurred costs; and capitalized interest. Include other uses categories as necessary.

Use of Funds	Amount (\$)
Preliminary Evaluations	\$375,000
CCTV Cleaning	\$1,200,000
CCTV Evaluations/Recommendations	\$650,000
Surveying/SUEs	\$575,000
Preliminary Design/Engineering	\$975,000
Final Design/Engineering	\$1,950,000
Permitting	\$250,000
Construction/Construction Admin	\$53,325,000
Contingency Funds	\$500,000
Total	\$61,800,000

**3. Dedicated Sources of Income for Repayment:**

- a. Describe all revenue sources to be used to repay project financing. Specify the nature of the revenue source (dedicated or not dedicated), the expected rate(s), the base to which such rates will be applied (e.g. average monthly consumption), projected revenues from each source, and projected increases or decreases in such revenues over time. Include rate covenants that may affect these revenue sources.

The WIFIA loan, and the interest thereon, as requested, will be payable from and secured solely by a lien upon and pledge of, on a subordinate lien basis with any outstanding or to be issued senior lien bonds (a) the Net Revenues, (b) the System Development Charges (not to exceed the System Development Charges Debt Service Component) and (c) the moneys on deposit in certain of the funds and accounts created under the Master Bond Resolution, as specified therein (collectively, the "Pledged Revenues").

The WIFIA loan is requested to be payable from and secured solely by a lien on the Pledged Revenues subordinate to the Outstanding Parity Bonds. Pursuant to the Master Bond Resolution, the Authority may issue other obligations.

- b. Elaborate on existing or anticipated pledges/claims on revenues and provide a brief summary of all claims on the flow of funds

TWA previously issued its Utility System Revenue Note, Series 2009 currently outstanding in the principal amount of \$10,180,000 (the "Series 2009 Note"), the Utility System



Revenue Note, Series 2010B, currently outstanding in the principal amount of \$2,573,302 (the "Series 2010 Note"), the Utility System Revenue Refunding Bonds, Series 2011A currently outstanding in the aggregate principal amount of \$1,815,000 (the "Series 2011A Bonds"), the "2011A Bonds"), the Utility System Revenue Refunding Bond, Series 2012 currently outstanding in the principal amount of \$14,265,000 (the "Series 2012 Bond"), the Utility System Revenue Refunding Bonds, Series 2013 currently outstanding in the principal amount of \$10,725,000 (the "Series 2013 Bonds") and the Utility Revenue Refunding Bonds, Series 2016 currently outstanding in the principal amount of \$171,450,000 (the "Series 2016 Bonds"), together, the "Outstanding Parity Bonds").

- c. Attach documentation as Exhibit XI to provide the basis for projected revenues and their respective anticipated rates of change. If independent revenue projections have not yet been obtained, state when such independent projections will be completed and identify the consultant engaged to perform the analysis.

**Exhibit XI** is not applicable for this project. The pro form included as **Exhibit IX** shows assumptions on rate increases over the life of the loan. Projections are constructed internally and there are no independent revenue projections.

4. **Financial Condition:** Provide financial documents not previously submitted in the letter of interest as Exhibit III. These may include, as available, year-end audited financial statements for the past three (3) years, Capital Improvement Plans or other planning documents and budgets produced in the last five (5) years accompanied by a description of the budgeting and capital planning process, a description of account receivables outstanding including the 12-month trailing average of on-time payment amounts as a percentage of amount billed per period, and the status of liabilities and funding for defined benefits and other post-employment benefits.

TWA is in sound financial condition with healthy liquidity and consistent debt service coverage by System Net Revenues. TWA is current on all debt service payment, not at risk of imminent or technical default or bankruptcy proceedings, nor is TWA under a merger and acquisition plan. Unrestricted cash on hand as of September 30, 2018 was \$84.860 million representing 467 days. TWA views the robust nature of cash on hand to fund asset management projects with existing cash together with borrowings, as needed.

The System has a strong record of financial performance in large part due to its strong financial management framework. Board-adopted financial policies and five-year plans demonstrate compliance with the covenants to bondholders and ensure financial viability while meeting infrastructure reinvestment needs and providing high-levels of service coverage. Board Adoption of Resolution 2016-08 on September 14, 2016 resulted in an approved four-year water and wastewater rate schedule. The rates are effective each fiscal year on October 1 through fiscal year 2022.

TWA is committed to prudent financial practices. Long-term capital and financial planning is performed on an annual rolling five-year forward-looking basis. The Budget serves as the basis for the development of the annual Five-Year Capital Plan and contains a list of projects to be



executed during the planning horizon, including cost estimates and schedules. Proposed long-term capital programs, projects and investments, and related costs are included in the Five-Year Capital Plan. Updates to the Capital Plan and Budget are adopted by the Board each year. The Five-Year Financial Plan provides estimated rate impacts of projected capital and operating spending and assures compliance with debt service coverage and financial policy requirements.

The Government Finance Officers of America and Canada (GFOA) awarded the Finance Department a Distinguished Budget Presentation Award for its FY2018 Budget. This is the fourth year they have received that award.

Year-end audited financial statements for years 2015, 2016 and 2017 and the 2018 budget were previously included with submission of the LOI. **Exhibit III** of this application includes the year-end audited statement for 2018.

**5. Available Sources of Security:** Describe any source of revenues or assets that the applicant(s) plans to use as security for the WIFIA assistance.

TWA owns and operates the water, wastewater and reclaimed wastewater management and delivery system. This system provides essential services to the residents and businesses of the City of Kissimmee, the unincorporated area of Osceola County and parts of Polk and Osceola counties. TWA serves a strong and diverse economic area, has a track record of successfully executing large capital programs, has comprehensive financial planning policies and practices, a history of raising rates to meet obligations, and strong financial metrics relating to liquidity and coverage. TWA's stable and predictable revenue and cash flow streams from low-risk service support, and sound financial policy adopted by the Board, form the basis for TWA's strong credit ratings and financial performance. The ratings are based, in part, on TWA's financial ability to repay its debt on a timely basis. As of June 1, 2019, the outstanding principal balance of TWA's senior debt was \$ 219,412.120 million. This is comprised of \$ 190.630 million of publicly offered senior lien revenue bonds and three senior lien privately placed bank loans totaling \$ 28,782.120 million. The publicly offered bonds are rated "AA+" by Standard & Poor's (S&P) and AAA by Fitch, well above investment grade rating thresholds.

TWA currently has no subordinate debt outstanding. If approved, the WIFIA loan lien status would be subordinate to both the public rated bonds and the bank loans.

Under TWA's master bond resolution, bonds are secured by Pledged Revenues representing Net Revenues, system development charges (impact fees) and monies on deposit in funds and accounts of TWA. A WIFIA loan would be secured and repaid out of Pledged Revenues subordinate to the senior lien bonds outstanding and to be issued. Based on the master bond resolution (Section 5.01(A)), TWA must set rates and charges in each year such that Net Revenues, including available fund balances, be a minimum of 1.15x of the debt service



requirement plus 100% of required deposits into the renewal and replacement account, and required reserve accounts and the subordinate debt service fund. (Resolution Coverage). TWA's Financial Policy is to adopt budgets, rates and financial plans that generate revenues such that current coverage is at least 1.50x ("Current Coverage"). For Fiscal Year (FY) 2018-2019, TWA has a projected Current Coverage in excess of 4.00 times; well above the minimum Resolution and financial policy requirements

6. **Preliminary Rating Letter:** Submit as Exhibit XII a preliminary rating letter from a rating agency, describing the applicant's ability to obtain an investment grade rating on the project(s)'s senior obligation(s), which may be the WIFIA assistance.

A Copy of the most recent Fitch rating report is included in **Exhibit XII**.

7. **Proposed Terms for the WIFIA assistance:** Identify the proposed terms for the requested WIFIA credit assistance, including at a minimum the amount, origination date, final maturity date, estimated interest rate, timing of disbursements, pledged security, repayment sources, amortization schedule, and lien position. The proposed terms and conditions should be submitted as Exhibit XIII.

TWA plans to use a mix of WIFIA loan amount of \$30.3 million (49%), and borrower's cash of \$31.5 million (51%) to fund the eligible costs of the Project. The proposed repayment period of the WIFIA loan is 35-years with interest assumed to begin accruing on the WIFIA loan beginning with the first draw, anticipated on April 1, 2020. TWA anticipates two additional annual draws will occur from that date forward, as costs are incurred as shown in the pro forma. TWA has currently assumed an interest rate of 2.82% on the WIFIA loan based upon Treasury rates as of May 20, 2019. It is the intent of TWA to have interest only until October 1, 2023 when principal will begin amortizing until October 1, 2057. This important feature allows TWA to sculpt the WIFIA loan around its outstanding senior lien debt to provide level annual combined principal and interest payments.

While the WIFIA loan is envisioned to be the only debt tranche of the Project, TWA requests a subordinate position within TWA's indebtedness structure to the aforementioned outstanding senior lien indebtedness. TWA currently has projected one other senior lien debt issuance estimated at \$65 million during the current five-year capital improvement program.

**Exhibit XIII** contains the proposed Terms and Conditions.

8. **Financing Restrictions:** Describe any restrictions that may limit the project(s)'s ability to pursue additional funding or transfer funds from the applicant, such as Additional Bonds Tests or closed indentures.

Section 5.01 (G) and (H) additional bonds test:



**ISSUANCE OF OTHER OBLIGATIONS PAYABLE OUT OF REVENUES.** The Authority will not issue any other obligations and will not voluntarily create or cause to be created, any debt, lien, pledge, assignment, encumbrance or any other charge, having priority over the Bonds as to lien upon and security for payment from the Pledged Revenues. The Authority may issue Additional Parity Bonds, in the manner and subject to the conditions hereinafter provided payable from and secured by the Pledged Revenues on parity with the Bonds. Any other obligations issued by the Authority, in addition to the Bonds authorized by this Master Resolution or Additional Parity Bonds provided for in Section 5.01(H) below, shall contain an express statement that such obligations are junior, inferior, and subordinate in all respects to the Bonds issued pursuant to this Master Resolution and any such Additional Parity Bonds as to lien on and source and security for payment from the Pledged Revenues, and in all other respects.

**ISSUANCE OF ADDITIONAL PARITY BONDS.** No Additional Parity Bonds shall be issued after the issuance of the Series 2003 Bonds pursuant to this Master Resolution, except upon the following terms and conditions:

Additional Parity Bonds payable from the Pledged Revenues may be issued by the Authority for the purposes of financing the construction and acquisition of additions, extensions and improvements to the Utility System, including Project Costs, only if the Adjusted Net Revenues for the Computation Period, hereinafter defined, as evidenced by the certificate of the Executive Director shall have at least equaled the sum of (1) one hundred fifteen percent (115%) of the Maximum Debt Service Requirement on all Bonds to be Outstanding as of the date of such issuance, plus (2) one hundred percent (100%) of the Maximum Debt Service Requirement on all Subordinate Debt to be Outstanding as of the date of such issuance, plus (3) one hundred percent (100%) of the amounts, if any, required to be deposited in the Reserve Account during such Computation Period (less any portion thereof which is to be deposited from proceeds of Bonds) together with any amounts of Reserve Account Credit Facility Costs payable in such Fiscal Years, plus (4) one hundred percent (100%) of the amounts required to be deposited in the Renewal and Replacement Fund during such Computation Period.

Additional Parity Bonds may be issued for completion of any Project without satisfying the foregoing financial tests, provided that such completion Bonds may be issued only in a principal amount not greater than fifteen percent (15%) of the principal amount of Bonds initially issued to fund the applicable Project, or may be issued without regard to the fifteen percent (15%) limitation upon the approval of each Credit Facility Issuer and delivery to the Authority of a certificate of an Independent Consultant stating that the proceeds of such completion Bonds will be sufficient to complete the acquisition, construction and installation of such Project substantially in accordance with the plans and specifications therefore in effect at the time of issuance of the Bonds originally issued for such Project.

Additional Parity Bonds payable from the Pledged Revenues may be issued by the Authority for Refunding purposes without satisfying the foregoing financial tests, provided that the Maximum Debt Service Requirement is not increased as a result of such Refunding.

In addition, the Authority may issue at any time and from time to time Additional Parity Bonds for the purpose of refunding any Subordinate Debt by complying with the foregoing financial tests.

For purposes of this Section 5.01(H):

the term "Adjusted Net Revenues" shall mean the Net Revenues giving effect to the following adjustments, (provided that, each such adjustment shall be certified by an Independent Consultant or Independent Certified Public Accountant in a certificate or report which shall set forth the assumptions upon which it is based and shall state that such assumptions, in the opinion of the Independent Consultant or Independent Certified Public Accountant, as the case may be, form a reasonable basis for the conclusions expressed therein).



If the Authority, prior to the issuance of the proposed Series of Bonds (the "Additional Bonds"), shall have put into effect an increase in the rates, fees, rentals or other charges for the services of the Utility System, then Net Revenues may be adjusted to include the additional Net Revenues which would have been received during the Computation Period if such increased rates, fees, rentals or other charges had been in effect during all of such period.

If the number of water and/or sewer connections to the Utility System as of the first day of the month preceding the month in which the proposed Additional Bonds are to be issued exceeds the average number of such connections during the most recent full Fiscal Year, then the Net Revenues may be adjusted to include the Net Revenues which would have been received during the Computation Period if those additional connections had also been connected to the Utility System during all of such period.

If the Authority shall acquire by the issuance of the Additional Bonds any privately-owned or publicly-owned existing water system, sewer system or utility system, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional Bonds, then the Net Revenues during the Computation Period may be increased by adding thereto the additional Net Revenues (to the extent such amounts were not already reflected in Net Revenues) which, on the basis of operating data pertaining to the existing system during the Computation Period, would have been derived from such existing system as if such existing system had been operated by the Authority as a part of the Utility System during the Computation Period.

If the Authority shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Bonds, with any public body whereby the Authority shall have agreed to furnish water, or to furnish services for the *collection*, treatment or disposal of sewage or agreed to furnish other services in connection with any other utility system, then the Net Revenues during the Computation Period may be increased (to the extent such amounts were not already reflected in Net Revenues) by the minimum amount which such public body shall guarantee, under a legally enforceable agreement with the Authority, to pay in any Fiscal Year for the furnishing of such services by the Authority, after deducting from such payment the estimated additional Operating Expenses attributable in such Fiscal Year to such services.

The Net Revenues may be increased (to the extent the following amounts were not already reflected in Net Revenues) by seventy-five percent (75%) of the amount of additional Net Revenues which would have been received during the Computation Period from any existing occupied structures which are to be connected to the Utility System within the eighteen (18) complete, calendar months immediately following the issuance of the Additional Bonds.

Net Revenues may reflect any adjustments necessary, in the opinion of an Independent Consultant or Independent Certified Public Accountant, to reflect government ownership of any Facilities acquired from private owners, e.g. to exclude taxes or depreciation or other non-governmental expenses.

"Computation Period" means any twelve (12) consecutive of the twenty-four (24) complete, calendar months, or the most recent complete Fiscal Year, immediately preceding the date of issuance of Additional Parity Bonds.





Net Revenues for the Computation Period during the first twenty-four months after the Transfer Date may mean either (a) the Net Revenues received by the City during such Computation Period or (b) the Net Revenues received by the Authority, as shall be determined by the Independent Consultants.

No Additional Parity Bonds for the purpose of constructing additions, extensions or improvements to the Utility System including Project Costs, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Master Resolution, shall have been made in full to the date of issuance of such Additional Parity Bonds, and the Authority shall be in substantial compliance with the covenants, agreements and terms of this Master Resolution.

Each resolution authorizing the issuance of Additional Parity Bonds shall recite that all of the covenants herein contained will be applicable to such Additional Parity Bonds.

There are no other restrictions on issuing additional debt of the Authority.

9. **Rate:** Describe any regulations governing rate setting, including rate covenants. If applicable, include rate studies and rate schedules for the applicant from the last ten (10) years as Exhibit XIV. Additionally, include historical rate changes for at least five (5) and preferably ten (10) years.

There has been one rate study within the last ten years attached as **Exhibit XIV**. The Authority Board has the sole power to change rates with majority vote on a rate resolution following a public hearing process.

*Rate Covenant.* The Authority has covenanted in the Bond Resolution to fix, establish and maintain such rates and collect such fees, rentals, or other charges for the services and Facilities of the Utility System, and to revise the same from time to time whenever necessary, so as to provide Net Revenues in each Fiscal Year equal to (1) one hundred fifteen percent (115%) of the Debt Service Requirement on the Bonds for such Fiscal Year, plus (2) one hundred percent (100%) of the required deposits into (a) the Reserve Account (less any portion thereof to be deposited from proceeds of Bonds) together with any amounts of Reserve Account Credit Facility Costs payable in such Fiscal Year, (b) the Renewal and Replacement Fund in such Fiscal Year, and (c) the Subordinate Debt Service Fund in such Fiscal Year, plus (3) the required Governmental Transfer in such Fiscal Year.